

Message Text

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DRAFTED BY E:RASORENSEN/EB/ORF/FSE:SWBOSWORTH:LS

APPROVED BY E - CHARLES W. ROBINSON

EB/ORF:JLKATZ

EUR/RPE:EHPREEG

S/S :JP MOFFAT

EA/J:DSMITH(SUBSTANCE)

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

INFO USMISSION OECD PARIS IMMEDIATE

C O N F I D E N T I A L STATE 175493

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E.O. 11652: GDS

TAGS: ENRG/JA

SUBJECT: PRODUCER-CONSUMER DIALOGUE

REF: TOKYO 9665

OECD MISSION PASS TO BOSWORTH

1. PLEASE PASS THE FOLLOWING COMMENTS FROM BOSWORTH TO
TOYONAGA IN RESPONSE TO HIS MESSAGE CONTAINED REFTEL.

2. I APPRECIATE THE OPPORTUNITY TO GIVE YOU SOME INFORMAL
COMMENTS ON THE SUGGESTIONS OF YOUR MINISTER CONCERNING THE
TIMING AND SUBSTANCE OF A POSSIBLE NEW PREPARATORY MEETING
AND THE ISSUE OF A POSSIBLE OPEC PRICE INCREASE.

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3. ON THE BASIS OF OUR LATEST BILATERAL CONTACTS WITH
SEVERAL OF THE OPEC/LDC PARTICIPANTS IN THE APRIL PREPCON
AND WITH THE FRENCH, WE BELIEVE THAT AN ACCEPTABLE FORMULA
FOR RESUMING THE DIALOGUE MAY SOON BE AGREED UPON. THE
ESSENTIAL ELEMENTS OF THIS FORMULA WERE DISCUSSED BY

UNDER SECRETARY ROBINSON IN PARIS JULY 18 WITH AMB HIRAHARA AND MIYAZAKI (DIRECTOR-GENERAL OF THE ECONOMIC AFFAIRS BUREAU, MINISTRY OF FOREIGN AFFAIRS), AND AGAIN ON JULY 21 WITH AMBASSADOR NAKAYAMA AND WITH AMBASSADOR HIRAHARA.

4. THE BASIS FOR RESUMING THE PREPCON AS OUTLINED BY MR. ROBINSON AT THOSE MEETINGS CONSISTS OF FOUR STAGES:

A. THE GROUP OF TEN WHICH MET IN PARIS IN APRIL TO RECONVENE AGAIN IN PARIS ON OCTOBER 6 FOR A MEETING TO ESTABLISH THE BASIS FOR SELECTION OF AN ADDITIONAL SEVENTEEN PARTICIPANTS, THEREBY EXPANDING THE GROUP TO TWENTY-SEVEN. EIGHT WOULD BE FROM THE INDUSTRIALIZED NATIONS AND NINETEEN FROM DEVELOPING NATIONS, OF WHICH EIGHT WILL BE MEMBERS OF OPEC. THE INDUSTRIALIZED AND DEVELOPING NATIONS WILL EACH SELECT THEIR ADDITIONAL MEMBERS ON A BASIS ASSURING A PROPERLY REPRESENTATIVE EXPANDED GROUP.

THE GROUP OF TEN WILL ALSO AGREE ON THE FORMATION OF THREE COMMISSIONS TO DEAL WITH THE PROBLEMS OF (A) ENERGY, (B) OTHER COMMODITIES, AND (C) DEVELOPMENT--EACH WITH NOT MORE THAN FIFTEEN PARTICIPANTS SELECTED FROM THE GROUP OF TWENTY-SEVEN.

IN ADDITION, THE GROUP OF TEN WILL SELECT THE SITE FOR THE MEETING OF THE ENLARGED GROUP OF TWENTY-SEVEN, PRESUMABLY GENEVA OR PARIS, AND THE CHAIRMAN FOR THAT MEETING WHICH COULD BE FROM A NEUTRAL COUNTRY, OR A REVOLVING ARRANGEMENT ACCEPTABLE TO THE GROUP OF TEN.

B. THE GROUP OF TWENTY-SEVEN WILL MEET THIRTY TO SIXTY DAYS LATER AT THE SITE SELECTED AND AFTER THE ADDITIONAL SEVENTEEN PARTICIPANTS HAVE BEEN SELECTED AND FORMALLY INVITED. THIS WILL BE A SHORT TWO-DAY MEETING
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AT MINISTERIAL LEVEL. ITS PRIMARY OBJECTIVE WILL BE TO CONFIRM THE DECISIONS REACHED AT THE GROUP OF TEN MEETING FOR ESTABLISHMENT OF (A) THREE SEPARATE COMMISSIONS, (B) BRIEF GUIDELINES FOR COMMISSION WORK, AND (C) REPORTING-BACK PROCEDURES.

C. THE THREE COMMISSIONS WILL BE FORMED ON THE BASIS PREVIOUSLY AGREED BY THE GROUP OF TEN. INDUSTRIALIZED AND DEVELOPING NATIONS WILL EACH SELECT THEIR REPRESENTATIVES ON THESE COMMISSIONS APPROXIMATELY PRESERVING THE EIGHT-TO-NINETEEN RELATIONSHIP WITHIN THE GROUP OF TWENTY-SEVEN. GENERAL CRITERIA REFLECTING DEGREE OF DIRECT INVOLVEMENT IN THE SUBJECT MATTERS OF EACH COMMISSION WILL BE APPLIED IN THIS SELECTION PROCESS WITH THE UNDERSTANDING THAT THE RESULTS MUST BE GENERALLY ACCEPT-

ABLE TO THE GROUP OF TWENTY-SEVEN. EACH COMMISSION WILL MAINTAIN A FREE EXCHANGE OF INFORMATION WITH THE OTHER COMMISSIONS AND WITH OTHER INTERNATIONAL FORA AS CONSIDERED APPROPRIATE BY EACH COMMISSION.
SIDERED APPROPRIATE BY EACH COMMISSION'
ANY OF THE THREE COMMISSIONS MAY ESTABLISH A SUB-COMMISSION FOR CONSIDERATION OF MONETARY AND FINANCIAL MATTERS RELATED TO ITS SUBJECT AREA.

D. THE GROUP OF TWENTY-SEVEN WILL RECONVENE AGAIN AT MINISTERIAL LEVEL AFTER TWELVE MONTHS FROM THE LAUNCHING OF THE COMMISSIONS TO RECEIVE PROGRESS REPORTS FROM ALL THREE COMMISSIONS. THIS WILL BE A TWO-DAY MEETING WITH THE UNDERSTANDING THAT THERE WILL BE NO SUBSTANTIVE DEBATE. AT THIS MEETING CONSIDERATION WILL BE GIVEN TO POSSIBLE FUTURE ACTION ON THE PART OF ANY OR ALL OF THE COMMISSIONS.

WITH REGARD TO THE STATUS OF OBSERVERS, BOTH OPEC AND IEA WILL BE INVITED TO SIT BEHIND A SINGLE PLATE LABELED "OBSERVERS" AT THE GROUP OF TEN MEETING WITH THE UNDERSTANDING THAT NO OBSERVER WILL SPEAK. THERE WILL BE NO OBSERVERS AT THE MEETINGS OF THE GROUP OF TWENTY-SEVEN, BUT BOTH OPEC AND IEA WILL BE INVITED TO PARTICIPATE IN ENERGY COMMISSION MEETINGS WITH THE RIGHT TO SPEAK.

(END INDENT.)

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5. ON THE QUESTION OF TIMING, MR. ROBINSON EXPLAINED TO AMB. HIRAHARA AND MIYAZAKI THAT, IN ORDER TO MAINTAIN MOMENTUM AND KEEP OUR UNDERSTANDING FROM BECOMING UNHINGED, WE HOPE THAT IT WILL BE POSSIBLE TO CIRCULATE THE FOREGOING FORMULA AMONG THE GROUP OF TEN FOR THEIR CONFIRMATION AND APPROVAL WITHIN THE NEXT FEW DAYS. ONCE WE HAVE ACCEPTANCE BY ALL PARTICIPANTS OF THE PLAN, THE FRENCH WOULD THEN ISSUE INVITATIONS TO RECONVENE A MEETING.

6. ASSUMING THE SCENARIO AS OUTLINED ABOVE GOES AS PLANNED, WE BELIEVE THIS INITIATIVE WOULD HAVE A HEALTHY INFLUENCE ON THE DELIBERATIONS AT THE UNGA SPECIAL SESSION. IT COULD HAVE SOME MODERATING EFFECT ON OPEC'S PRICE DECISIONS IN ITS SEPTEMBER MEETING, ALTHOUGH WE FRANKLY DOUBT IT.

7. NEVERTHELESS, WE SHOULD MAKE SURE THE PRODUCERS REALIZE THAT THE ATMOSPHERE FOR AND PROSPECTS FOR SERIOUS RESULTS FROM A RENEWED DIALOGUE WILL INEVITABLY BE INFLUENCED BY OPEC BEHAVIOR ON THE PRICE QUESTION. WE WILL CONTINUE TO MAKE THIS POINT STRONGLY TO KEY PRODUCING COUNTRIES AND HOPE THAT JAPAN AND OTHER IEA COUNTRIES WILL ALSO DO SO. WE SHOULD INCLUDE IN THESE APPROACHES TO THE PRODUCERS THE TYPE OF ANALYSIS DEVELOPED BY MITI

CONCERNING THE IMPACT OF A PRICE RISE ON THE WORLD ECONOMY

IN GENERAL AND THE NON-OIL PRODUCING LDS IN PARTICULAR.
WE AGREE THAT IT MIGHT BE USEFUL TO HAVE THIS SORT OF
ANALYSIS PREPARED WITHIN THE IEA AND SUGGEST WE DISCUSS
THIS AT THE JULY 28 GOVERNING BOARD. KISSINGER

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